

# Course 55439 – EP CPE Winter FY14

## Defined Benefit Plans – Schedule SB (Form 5500) And Related Schedules

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### Overview

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#### Introduction

Documents that assist in the examination of a defined benefit plan are the:

- Form 5500, Form 5500-EZ, Form 5500-SF
- Schedule SB attachment to the Form 5500
- Actuarial Valuation Report.

These documents are used by the examiner in conjunction with personnel records, trust account statements, and other source information in the proper determination of the plan's minimum funding requirement, deductible contribution, benefits paid and actuarial valuation.

This chapter describes potential audit issues that may be detected during the analysis of the Schedule SB (Form 5500).

Note that 2008 is the first year that the Schedule SB is filed. Prior to 2008, a Schedule B was attached to the Form 5500 filing.

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#### Forms

The following should be referred to while reviewing this chapter:

- Schedule SB, Form 5500, Single-Employer Defined Benefit Plan Actuarial Information
  - Instructions for Schedule SB, Form 5500, Single-Employer Defined Benefit Plan Actuarial Information
  - Schedule R, Form 5500, Retirement Plan Information
  - Instructions for Schedule R, Form 5500, Retirement Plan Information
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## Overview, Continued

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### Link to schedules

To view these schedules and instructions, go to:

<http://www.dol.gov/ebsa/5500main.html>

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### Other useful forms

In addition to the Schedules to the Form 5500, you may find the following useful:

- Form 5330, Return of Excise Taxes Related to Employee Benefit Plans
- Instructions for Form 5330, Return of Excise Taxes Related to Employee Benefit Plans

To view this form and instructions, go to:

<http://publish.no.irs.gov/cat12.cgi?request=CAT2&itemtyp=F&itemb=5330&items=>

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### Objectives

At the end of this lesson, you will be able to review the Schedule SB and related schedules to determine if there are any issues that should be further addressed during the examination.

Therefore, you will be able to:

- Determine if the plan has reported unpaid minimum required contributions.
  - Verify that the dates and amounts of contributions on the Schedule SB agree with those reported in trust account statements.
  - Verify the minimum required plan year contribution from the Schedule SB entries.
  - Determine if a Form 5330 is required to be filed.
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## Overview, Continued

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## Definitions

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**Funding target** The funding target is the present value of all benefits that have accrued as of the first day of the plan year based on prescribed assumptions and methods.

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**Target normal cost** The target normal cost is the present value of all benefits that are expected to accrue during the plan year based on prescribed assumptions and methods.

The target normal cost includes any increase in benefits during the plan year that result from an actual or projected increase in compensation during the plan year, even if the increase is attributable to service performed in a preceding plan year.

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**WRERA modified definition of target normal cost** The Worker Retiree Employer Recovery Act of 2008 (WRERA) modified the definition of the target normal cost. Subsequent to WRERA, the target normal cost is increased by the amount of any plan related expenses expected to be paid from plan assets and decreased by any mandatory employee contributions expected to be made during the plan year.

This is effective for plan years beginning on or after January 1, 2009 and could have been voluntarily applied for the 2008 plan year. It is important to note that if these provisions are applied in 2008, both provisions need to be applied.

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**Funding target attainment percentage** The funding target attainment percentage (FTAP) is calculated as the value of plan assets divided by the funding target and is expressed as a percentage.

The value of plan assets is the value used for valuation purposes and is either market value or actuarial value. The FTAP is one measure of how well the plan is funded on a current basis.

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**Adjusted funding target attainment percentage** The adjusted funding target attainment percentage (AFTAP) is calculated in the same manner as the FTAP except that both the value of plan assets (the numerator) and the funding target (the denominator) are increased by the aggregate amount of annuities purchased by the plan for plan participants other than highly compensated employees during the 2 preceding plan years. Highly compensated employees are defined under IRC § 414(q).

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## Definitions, Continued

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**Valuation date** The valuation date is the first day of the plan year unless the plan meets the small plan exception. For plans that qualify for the exception, the valuation date can be any day of the plan year, including the first or last day of the plan year.

A plan qualifies for the small plan exception if there were 100 or fewer participants on each day of the preceding plan year. For this purpose, a small plan is defined as a plan that, on each day during the preceding plan year, had 100 or fewer participants including active participants, terminated vested participants, retired participants, and beneficiaries receiving payments from the plan. For purposes of making this determination, all defined benefit plans other than multiemployer plans maintained by the employer or members of the controlled group are treated as one plan.

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**Plan population** The plan population is determined as of the valuation date and includes participants currently employed (active participants), terminated vested participants, retired participants and beneficiaries receiving payments from the plan.

The plan population cannot anticipate future hires but can include employees who are not eligible to participate as of the valuation date.

The plan population cannot exclude employees who currently participate but have not satisfied the statutory age and service requirements as of the valuation date. The plan population can exclude former participants who terminated without vested benefits and who have not yet incurred a break in service if the exclusion of such employees is reasonable based on the experience of the plan with respect to rehired employees.

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## Definitions, Continued

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**Prescribed mortality**

The mortality rates under IRC § 430(h)(3) and Treas. Reg. § 1.430(h)-1 and must be used for non-disabled participants and may be used for disabled participants, unless a substitute mortality table has been approved. The mortality tables must be applied on a generational basis or must be updated to reflect the static tables published for the year in which the valuation occurs.

Separate mortality rates must be used for annuitants and non-annuitants.

If the plan has 500 or fewer participants as of the valuation date, the plan sponsor can elect to use mortality rates which combine the mortality rates for annuitants and non-annuitants.

To determine if the plan sponsor can elect to combine the mortality rates only take into consideration the single plan under audit and not all defined benefit plans sponsored by the employer or members of a controlled group.

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**Effective interest rate**

The effective interest rate is the single interest rate which, if used in place of the segment rates to calculate the present value of the benefits that are included in the funding target, would result in an amount equal to the funding target.

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**Adjusted assets**

The adjusted assets as of the earlier determination dates are the fair market value of assets adjusted to reflect contributions and payments made between the earlier determination dates and the current valuation date. The assets are also adjusted to reflect interest adjusted receivable contributions.

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**Funding shortfall**

The funding shortfall is the excess of the funding target over the actuarial value of assets. The assets are reduced by the funding standard carryover balance and the prefunding balance unless there is a binding agreement with the PBGC providing that all or a portion of the balances are not available to offset the minimum required contribution for preceding plan year.

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**Shortfall amortization charge**

The shortfall amortization charge is the sum of the shortfall amortization installment established in the current plan year plus the shortfall amortization installments (if any) established in prior plan years.

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## Definitions, Continued

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**Funding waiver** A plan sponsor may request a waiver of all or a portion of the minimum funding requirement for the plan year. The amount waived is amortized in level installments over five years using either the segment rates or the rates from the full yield curve used to calculate the target normal cost in effect for the plan year in which the waiver is granted. The first installment is due as of the valuation date for the plan year following the plan year for which the waiver was granted.

The waiver amortization charge is the sum of the waiver amortization installments that are due in the current plan year.

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**Minimum required distribution** The minimum required distribution in any case in which the value of plan assets of the plan (as reduced under subsection (f)(4)(B)) is less than the funding target of the plan for the plan year, the sum of—

- the target normal cost of the plan for the plan year,
  - the shortfall amortization charge (if any) for the plan for the plan year, and
  - the waiver amortization charge (if any) for the plan for the plan year.
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## Form 5500 and Form 5500-EZ

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<b>Introduction</b>	The Form 5500 and Form 5500-EZ are annual reports that must be filed by every plan administrator or sponsor of a defined benefit plan.
<b>DOL Filing</b>	The Form 5500 with required attachments must be filed with the Department of Labor (DOL) by the last day of the seventh month after the end of the plan year. A two and one-half month extension can be requested by filing Form 5558.
<b>Electronic Filing</b>	Beginning with the 2009 plan year, the employer must file Form 5500 electronically. A paper form can no longer be filed by mail or other delivery service.
<b>Form 5500-EZ</b>	Form 5500-EZ may generally be used by one-participant plans that meet certain conditions listed in the instructions to the Form 5500-EZ.
<b>Form 5500-SF</b>	Form 5500-SF may be filed, beginning with the 2009 plan year, by small plans who meet the five conditions listed in the instructions to the Form 5500-SF.
<b>Form 5500</b>	If a pension plan does not meet the conditions for filing Form 5500-EZ or Form 5500-SF, then a Form 5500 must be filed.
<b>Questions on Funding of Plan</b>	<p>These annual filings and the required attachments provide answers to questions on the funding of the plan:</p> <ul style="list-style-type: none"><li>• Has the plan sponsor made the required minimum funding contributions?</li><li>• Does the plan have an unpaid minimum required contribution?</li><li>• Do the amounts of the contributions agree with the plan's trust statements?</li></ul>

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## Form 5500 and Form 5500-EZ, Continued

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**Form 5500**  
**Form 5500-EZ**  
**Form 5500-SF**

The three types of Form 5500 identify the:

- Name of the plan
  - Sponsor's EIN and plan number
  - Plan year
- 

**Financial**  
**Information**

Financial information on a plan's assets is included on Forms 5500-EZ and 5500-SF.

Financial information for plans that file Form 5500 can be found on the Schedule H (for plans that cover 100 or more participants in the current plan year) and Schedule I (for plans that cover fewer than 100 participants in the current plan year).

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## Schedules SB and MB

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<b>Introduction</b>	The Schedule SB and Schedule MB are attachments to the Form 5500. Both schedules are a report of the actuarial information used to determine the plan's costs for the year.
<b>Schedule SB</b>	Schedule SB is completed for single employer and multiple employer plans.
<b>Schedule MB</b>	Schedule MB is completed for multiemployer plans.
<b>Certified and Signed</b>	Schedule SB and Schedule MB are required to be certified and signed by an enrolled actuary licensed by the Joint Board for the Enrollment of Actuaries.
<b>Scope of Chapter</b>	This chapter only looks at the Schedule SB.

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## Attachments to the Form 5500

**Attachments to Form 5500** The chart is a list of the attachments to the Form 5500 that apply to defined benefit plans and indicates which of the attachments apply to large plans and which to small plans.

### Reference Chart for Form 5500, Schedules and Attachments Source: Instructions to the 2012 Form 5500

	Large Pension Plans	Small Pension Plans
	More than 100 participants	100 or fewer participants
Form 5500	Must Complete.	Must complete.
Schedule A (Insurance Information)	Must complete if plan has insurance contracts for benefits or investments.	Must complete if plan has insurance contracts for benefits or investments.
Schedule C (Service Provider Information)	Must complete if service provider was paid \$5,000 or more and/or an accountant or actuary was terminated...	Not Required.
Schedule G	Must complete if Schedule H, line 4b, 4c, or 4d is "Yes."	Not Required.
Schedule H (Financial Information)	Must Complete.	Not Required.
Schedule I (Financial Information – Small Plan)	Not Required.	Must Complete.
Schedule MB (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information)	Must complete if plan is subject to minimum funding standards.	Must complete if plan is subject to minimum funding standards.
	Large Pension Plans	Small Pension Plans
	More than 100 participants	100 or fewer participants
Schedule R (Retirement Plan Information)	Must Complete.	Must Complete.
Schedule SB (Single-Employer Defined Benefit Plan Actuarial Information)	Must complete if plan is subject to minimum funding standards.	Must complete if plan is subject to minimum funding standards.
Schedule SSA (Actuarial Registration Statement identifying Separated Participants with Deferred Vested Benefits)	Must complete if plan had separated participants with deferred vested benefits to report.	Must complete if plan had separated participants with deferred vested benefits to report.
Accountant's Report	Must Attach.	Not required unless Schedule I, line 4k, is checked "No."

## General Instructions – Who Must File Schedule SB

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<b>General rule</b>	Although the Schedule SB is prepared and signed by an enrolled actuary, the employer or plan administrator of a defined benefit plan is required to attach a completed and signed Schedule SB to the Form 5500.
<b>Reliance on signed Schedule SB</b>	If the auditor is familiar with the actuary, along with other facts and circumstances, the auditor can determine the extent to which he or she can rely on the schedule SB. However, at a minimum, the information presented on the Schedule SB should be reconciled to the appropriate valuation report. Any variance should be reviewed with additional audit procedures as indicated.
<b>Form 5500-EZ Filers</b>	Filers of Form 5500-EZ or Form 5500-SF are not required to file Schedule SB. However, an enrolled actuary must complete and sign a Schedule SB for the plan. The actuary is required to provide the Schedule SB to the employer or plan administrator, who must retain a copy of the schedule for its records.
<b>Schedule SB for Terminating Plans</b>	For terminating plans, since the minimum funding standards continue through the termination date, the Schedule SB is required until the end of the plan year that includes the termination date. The Form 5500 is required to be filed until all assets in the plan have been distributed.

## Failure to File Schedule SB

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### **Penalty for Not Filing**

If a required Schedule SB is not filed by the due date of the return (with extensions), the plan administrator can be fined a penalty of \$1,000 unless the failure is due to reasonable cause. See [IRC § 6692](#).

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### **Enrolled Actuary Information**

An enrolled actuary must complete and sign the Schedule SB. The actuary may qualify his report, provided the issue is not deemed to be material. See [IRC § 6059](#) and [Treas. Reg. § 301.6059-1](#). To verify whether a practitioner is an enrolled actuary in good standing, contact the [Joint Board for the Enrollment of Actuaries](#). Phone: (202) 622-8229, Fax: (202) 622-8300.

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## Schedule SB

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**Schedule SB  
Parts I through  
IX**

The Schedule SB is divided into nine parts. All parts must be completed regardless of size or type of plan.

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**Signing of  
Schedule SB**

An enrolled actuary must sign the Schedule SB. Effective with the 2009 Schedule SB, rather than having the actuary's signature on the schedule, the actuary may insert their typed name with handwritten initials. The most recent enrollment number must be included on the form.

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**Name of plan,  
etc.**

The name of the plan, the sponsor's EIN, and the plan number shown on items A, B, C and D on Schedule SB must be the same as shown on the first page of the Form 5500.

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## Schedule SB - Instructions for Part I-Lines 1 – 6

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**Part I  
Basic  
Information**

All entries in Part I must be reported as of the valuation date.

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**Line 1  
The Valuation  
Date**

For plan years beginning in 2008:

- For plans with 100 or fewer participants on each day of the prior plan year, the valuation date may be any date in the plan year, including the first or last day of the plan year.
  - For plans with more than 100 participants, the valuation date must be the first day of the plan year.
- 

**Plan Size**

The correct participant count in the plan is determined by counting the highest number of participants (both active and inactive) on any day of the prior plan year. All participants in single- and multiple-employer DB plans maintained within the controlled group are included.

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**Line 2a  
Market Value  
of Assets**

**Line 2 – Assets:**

The trust's fair market value of assets as of the valuation date is entered on this line.

Contributions made for the current plan year should not be included in this amount. Also, rollover amounts or other assets held in individual accounts that are not available to provide defined benefits under the plan should not be included.

---

**No  
Adjustments  
for Credit  
Balances**

No adjustments are made to the market value of assets for items such as the funding carryover balance or the prefunding balance, or any remaining shortfall or waiver amortization installments.

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## Schedule SB - Instructions for Part I-Lines 1 – 6, Continued

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**Verifying the  
Fair Market  
Value Amount**

The examiner can verify the fair market value of the trust on the valuation date by examining trust records, such as broker statements and annual appraisals of trust assets.

The market value of assets should be tied to both the balance sheet and income statement in the actuarial valuation report.

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**Line 2b  
Actuarial Value  
of Assets**

For plan years beginning in 2008, taxpayers can value assets in one of two ways:

- Fair Market Value (FMV) on the valuation date as shown above; or
  - The average of the FMV of assets if the method is permitted under [Treas. Reg. § 1.430\(g\)-1\(c\)\(2\)](#)
- 

**Line 2b  
Actuarial Value  
of Assets  
(continued)**

The actuarial value of the assets must fall within the corridor of 90% and 110% of the FMV of the average value of assets. The present year's asset value includes contributions for prior years generally paid after the valuation date (called receivable contributions). These receivable contributions are reduced or discounted at the prior year's effective interest rate (found on line 5 for prior year).

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**Rollover  
Amounts and  
Contributions  
are Not  
Included**

Similar to the reporting of Market Value of Assets, rollover amounts in individual accounts and contributions for the plan year are not included in the actuarial value.

Adjustments are not made for items such as the funding carryover balance, the prefunding balance or any remaining shortfall or waiver amortization installments.

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**Amounts  
Should be  
reconciled to  
Valuation  
Report**

The amounts reported on lines 2a and 2b should be tied to the actuarial valuation report and any variances should be questioned.

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## Schedule SB - Instructions for Part I-Lines 1 – 6, Continued

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**Line 3**  
**Column (1)**

### **Line 3 – Funding Target/participant count breakdown**

**Column (1)** – The entry is the number of participants including beneficiaries of deceased participants who are or who will be entitled to benefits from the plan.

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**Line 3**  
**Column (2)**

Column (2) is the portion of the Funding Target (FT) for the retired, terminated vested and active participants.

The FT for the active participants is reported separately for vested and non-vested participants.

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**Funding Target**  
**(FT)**

The Funding Target amount entered in Column (2) is calculated using the same method as that used in the calculation of the Minimum Required Contribution.

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**Line 4**  
**At-risk Plans**

### **Line 4 – Additional Information for Plans in At-risk Status**

If the plan is in at-risk status, the box should be checked and lines 4a and 4b should be completed.

Line 4a is the amount of the FT calculated using assumptions as if the plan was not at-risk.

Line 4b uses the at-risk assumptions to calculate the FT.

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**Line 5**  
**Effective**  
**Interest Rate**

The effective interest rate is the single rate of interest which, if used instead of the interest rate(s) reported on line 21 to determine the FT for a plan not at-risk, would result in an amount equal to the plan's FT for the plan year.

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## Schedule SB - Instructions for Part I-Lines 1 – 6, Continued

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**Line 6**  
**Target Normal**  
**Cost (TNC)**

The entry on line 6 is the present value of benefits that have accrued to participants during the plan year.

The TNC is determined as of the valuation date using the same assumptions used to calculate the FT.

The TNC includes expected plan-related expenses paid from the plan. In a plan where accruals are frozen, the plan may have a TNC due to expenses.

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## Schedule SB - Instructions for Part II-Lines 7 – 13

**Part II – Beginning of year carryover and prefunding balances**  
**Entries for lines 7 – 13 can be found on the prior year's Schedule SB.**

Line		(a) Carryover Balance	(b) Prefunding balance
7	Balance at beginning of prior year after applicable adjustments	line 13 from prior year's Schedule SB	line 13 from prior year's Schedule SB
8	Portion used to offset prior year's funding requirement	line 35 from prior year's Schedule SB	line 35 from prior year's Schedule SB
9	Amount Remaining	line 7 – line 8	line 7 – line 8
10	Interest on line 9 using prior year's actual rate of return	line 9 times asset rate of return from prior year	line 9 times asset rate of return from prior year
11	a. Excess Contributions	line 38 from prior year	line 38 from prior year
	b. Interest on (a) using prior year's effective rate	line 11a times line 5 from prior year	line 11a times line 5 from prior year
	c. Total available at beginning of current plan year to add to prefunding balance		line 11a + line 11b
	d. Portion of (c) to be added to prefunding balance		amount sponsor elected to increase prefunding balance

**Line 7** Balance at beginning of prior year after applicable adjustments.

**Line 8** Portion used to offset prior year's funding requirement.

**Line 9  
Remaining  
Balances** The amount remaining is calculated by subtracting line 8 from line 7.

**Line 10  
Interest on  
Remaining  
Balances** The amount of interest calculated on the amounts on line 9 uses the interest rate equal to the actual return on the prior year's assets.

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## Schedule SB - Instructions for Part II-Lines 7 – 13, Continued

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**Line 11**  
**Prior Year's**  
**Excess**  
**Contributions to**  
**be Added to**  
**Prefunding**  
**Balance**

Line 11(a) will reflect amounts of the entry on line 38a on the Schedule SB for the prior plan year. Line 38a is the amount of the excess contribution.  
Line 11(b) will reflect the effective rate for the prior plan year.  
Line 11(c) is the sum of lines 11(a) and 11(b).  
Line 11(d) reflects the amount elected by the employer to be added to the current years prefunding balance.

This information may be found on the Schedule SB filed with the prior year's Form 5500.

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**Line 12**  
**Voluntary**  
**Reduction**

Line 12 is the amount by which the plan sponsor has elected to reduce the carryover balance and/or the prefunding balance. An election to reduce the prefunding balance cannot be made until the funding standard carryover balance has been reduced to zero.

Reducing the balances will increase the FTAP and AFTAP ratios.

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**Line 13**  
**Balance at**  
**Beginning of**  
**Current Year**

Line 9 + Line 10 + Line 11d – Line 12

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## Schedule SB - Instructions for Part III-Lines 14 – 17

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**Funding Target  
Attainment  
Percentage  
(FTAP)**

**Part III – Funding Percentages**

**Line 14 – Funding Target Attainment Percentage**

The funding carryover balance and prefunding balance are first subtracted from the actuarial value of assets. The result is then divided by the FT and converted to a percent.

This percentage is the funded status of the plan as of the valuation date. This number should match the corresponding value on the final AFTAP certification for the plan year and may generally match the value on the valuation report.

---

**Line 15  
Adjusted  
Funding Target  
Attainment  
Percentage**

This is similar to the FTAP except that the plan assets and the FT are increased by the amount of any annuities that have been purchased for the NHCE in the past two years.

The AFTAP is used to see if certain benefits (e.g., benefits that are to be paid to participants when a plant shutdown occurs) can be paid or must be restricted.

The AFTAP on the Schedule SB should match the corresponding value on the final AFTAP certification for the plan year and may generally match the value on the valuation report.

---

**Line 16-Prior  
Year's Funding  
Percentage**

If a plan sponsor wants to use the plan's carryover balance or prefunding balance to reduce the amount of the minimum required contribution for the current plan year, the plan's assets in the preceding plan year divided by the funding target for the preceding plan year must be at least 80%.

---

**Line 17-Ratio  
of Current  
Value of Assets  
to Funding  
Target**

Line 17 is completed if line 2b on the current year's Schedule SB divided by the FT on line 3d is less than 70%.

Otherwise, line 17 is left blank.

---

## Schedule SB - Instructions for Part IV, contributions and liquidity shortfalls-Lines 18 – 20

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### Line 18 Contributions made by employer and employees

The dates and amounts of the contributions made to the plan within 8 ½ months after the end of the plan year are listed. Only contributions made by the date the Schedule SB is signed are included.

Contributions made by both the employer and employees are listed. However, only contributions made by the employer are used to calculate the minimum required contribution.

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### Line 19 - Discounted Employer Contributions

If a contribution is made to the plan's assets **after** the valuation date, the amount has to be discounted back to the valuation date using the effective interest rate on line 5.

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### Example 1 Discounting Contributions

Assume the valuation date is January 1, 2011; a contribution of \$25,000 is paid on April 15, 2011 and reported on line 18. Assume the effective interest rate is 6.00% for 2011. The contribution would be discounted for 3.5 months =  $\$25,000 \div 1.06^{(3.5/12)} = \$24,579$  (this amount would be reported on line 19a. Discounts are often calculated to the day. For example, the exponent may be 105/365.

---

### Valuation Date after the First Day of Plan Year

If a contribution is made to the plan's assets for the current year **before** the valuation date, then the amount has to be increased with interest to the valuation date using the effective interest rate on line 5.

The contributions increased with interest are not included in the assets reported on lines 2a and 2b.

Contributions made before the valuation date will generally only apply to small plans.

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## Schedule SB - Instructions for Part IV, contributions and liquidity shortfalls-Lines 18 – 20, Continued

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### **Example 2 Contributions Increased with Interest**

Assume the valuation date is December 31, 2011, for the 2011 calendar year plan year. A contribution of \$10,000 is paid July 1, 2011 and the effective interest rate is 5.50%. The contribution made before the valuation date as a result:

- Would be increased with interest =  $\$10,000 \times 1.055^{1/2} = \$10,271$ .
  - Line 18 would report \$10,000 and line 19(c) would report \$10,271.
- 

### **Line 19**

The total amount of contributions made by the employer is divided into three pieces.

---

### **Line 19a**

If a plan had unpaid minimum required contributions in a prior year, contributions made in the current plan year go first to pay the unpaid amounts.

Contribution amounts on line 19a are discounted from the date the contribution is made back to the valuation date of the plan year when the contribution was required.

These contributions are discounted using the effective interest rate plus 5% for late quarterly contributions. Quarterly contributions will be discussed later in the chapter.

---

### **Line 19b**

The second piece is the contributions that are made in order to avoid benefit restrictions that occur when the plan's AFTAP falls below a specified amount.

Certain benefit restrictions can be avoided if the AFTAP for the plan year is greater than 60%. An employer may decide to put additional money into the plan so that the AFTAP reaches 60%.

---

### **Line 19c**

Any contributions not on line 19a or 19b are contributions paid to meet the minimum required contributions for the current plan year.

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*Continued on next page*

## Schedule SB - Instructions for Part IV, contributions and liquidity shortfalls-Lines 18 – 20, Continued

**Line 20a**

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**Line 20 – Quarterly contributions and liquidity shortfall.**

If the plan had a funding shortfall in the preceding plan year, then the plan must make quarterly contributions in the current plan year.

---

**Line 20b**

If line 20a is checked yes, were the quarterly contributions made on time?

For a calendar year plan, the required due dates are:

- April 15
  - July 15
  - October 15
  - January 15
- 

**Line 20c**

If line 20a is checked “yes” or the plan had less than 100 participants, the plan is not subject to the liquidity rules of [IRC § 430\(j\)\(4\)](#), and this line is left blank.

If a plan is subject to the liquidity rules, the table below line 20c is completed.

A plan has a liquidity shortfall when the plan’s liquid assets are less than three years of benefits payments.

---

## Schedule SB - Instructions for Part V-Lines 21 – 23

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**Part V**  
**Line 21**  
**Discount Rate**

Assumptions used to determine funding target and target normal cost.

---

**Line 21a**  
**Segment Rates**  
**or Yield Curve**

The three segment rates used to calculate the funding target are entered in the table on line 21a.

Segment rates are published monthly by the IRS and may be found at:

<http://www.irs.gov/Retirement-Plans/Funding-Yield-Curve-Segment-Rates>

If the employer has elected not to use segment rates, but rather elects to use the full yield curve, the last box in the table is checked. A spreadsheet containing the full yield curve data is available at:

<http://www.irs.gov/Retirement-Plans/Monthly-Yield-Curve-Tables>

---

**Applicable**  
**Month**

If segment rates are being used to calculate the FT and TNC, the employer may use the rates for the month of the valuation date or any of the four preceding months. The applicable month will generally be the same value used on the Schedule SB from the prior year.

The chosen month is entered on line 21b. The employer generally cannot change which month may be used in future valuations without consent from the IRS.

---

**Line 21b**  
**Example**

A plan has a calendar plan year. For the 2012 plan year the employer may choose rates published for:

- January 2012, or
  - December 2011, or
  - November 2011, or
  - October 2011, or
  - September 2011
- 

*Continued on next page*

## Schedule SB - Instructions for Part V-Lines 21 – 23, Continued

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**Line 22**  
**Weighted**  
**Retirement**  
**Age**

One of the assumptions chosen by the plan's actuary is the age at which the participants are assumed to retire.

The assumed retirement age may be the normal retirement age in the plan document.

If the assumed retirement age is different for certain groups of participants (for example, hourly versus salaried participants) or differs by the ages of the participant, then a weighted retirement age is entered on line 22.

---

**Example 3**

For the 2011 actuarial valuation of the Austin Defined Benefit Plan, the actuary is assuming that all participants will retire at the plan's normal retirement date of 65. Age 65 would be entered on line 22.

If instead, the actuary assumed that 50% of the participants will retire at age 62 and 50% will retire at age 65, then the weighted retirement age is  $50\% * 62 + 50\% * 65 = 63.5$ . The nearest whole age of 64 is entered on line 22.

---

**Line 23-**  
**Mortality Table**

The IRS publishes the mortality tables that must be used to calculate the FT and the TNC. (See [Notice 2013-49](#) announcing changes to the static mortality tables to be used in 2014 and 2015.)

---

## Schedule SB - Instructions for Part VI - Lines 24 - 27

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### Part VI

Assumptions used to determine funding target and target normal cost

---

### Line 24 and Line 25

Line 24 and line 25 – Changes in assumptions and methods

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### Line 24 Change in Assumptions and Methods

The employer checks “yes” on line 24 if assumptions, other than those required by statute, are changed.

Under [IRC § 430\(h\)\(5\)](#), approval for change in actuarial assumption is required if the plan is not a multiemployer plan, is covered by the PBGC and the aggregate unfunded benefits exceed \$50 million, and the change in assumptions decreases the funding shortfall for the current plan year that exceeds \$50 million, or exceeds \$5 million and is 5 percent or more of the funding target before the change. If such a change has been approved, there will be an accompanying attachment to the SB for the year of the change.

---

### Line 25 Change in Assumptions and Methods Continued

When there are changes made to the funding method used to determine the plan’s assets and liabilities, the “yes” box is checked on line 25. Generally, IRS approval is required, but approval is not needed for 2009 and 2010 plan years for changes in asset valuation method, valuation date, and interest rate method. See [IRC § 430](#) and [Announcement 2010-3](#) for exceptions that do not require approval.

---

### Line 26 Schedule of Active Participants

This attachment must show the number of active participants broken down by age and years of credited service.

Plans with more than 1,000 participants must also show average compensation data for the active participants within each group and if the plan is a cash balance plan, average cash balance account data.

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*Continued on next page*

## Schedule SB - Instructions for Part VI - Lines 24 - 27, Continued

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**Line 27**  
**Alternative**  
**Funding Rules**

The Pension Protection Act of 2006 (PPA) allows certain plans to use alternative funding rules in calculating the plan's liabilities.

If the plan uses an alternative funding rule, an attachment is required that explains what rules are used. The instructions for Schedule SB, which are contained in the instructions for [Form 5500](#), provide a detailed list of alternative funding rules.

---

**Line 27**  
**Example**

PPA has specified special funding rules for certain airlines.

Using the special rules has enabled the airlines to erase their funding deficiencies and basically make a fresh start by amortizing the plan's unfunded liability over 17 years.<sup>1</sup>

A fresh start has helped some airlines to keep their pension plans ongoing and to better fund the plans going forward.

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<sup>1</sup> [IRC § 430](#)

## Schedule SB - Instructions for Part VII - Lines 28 – 30

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### Part VII

Reconciliation of unpaid minimum required contributions for prior years.

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#### **Line 28 Unpaid Minimum Required Contribution for All Prior Years**

If in the current plan year the plan has not made any required contributions for the prior year, the plan will have an unpaid minimum required contribution (funding deficiency).

The sponsor of a plan that has unpaid minimum required contributions at the end of the plan year is required to file a [Form 5330](#) with the IRS and will generally be assessed a 10% excise tax on the amount of unpaid contributions.

---

#### **Line 29 Discounted Employer Contributions**

If the plan has a funding deficiency from a prior year, contributions made in the current year are first used to pay off the deficiency.

The contributions discounted back to the valuation date can be found on line 19a of the current Schedule SB.

---

#### **Line 30 Remaining Unpaid Minimum Contributions**

Subtracting line 28 from line 29 shows if there are any remaining contributions that still must be paid.

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## Schedule SB - Instructions for Part VIII - Lines 31 – 40

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### Lines 31 - 37      Part VIII – Minimum Required Contribution for Current Year

Part VIII shows the calculated amounts that add up to the minimum required contribution for the current plan year.

Most of the amounts for lines 31 – 37 can be found elsewhere on the Schedule SB.

---

Line	Data Item	Where else on Schedule SB
31	Target Normal Cost and Excess Assets	
31a	Target Normal Cost	line 6
31b	Excess Assets	Any excess of line 2b reduced by any carryover or prefunding balance on line 13 over the funding target reported on line 3d, column (2)
32a	Shortfall Amortization Balance and Charge	
32b	Waiver Amortization Charge	
33	Waived Amount	
34	Funding Requirement for Year before Balances	lines 31a – line 31b + line 32a + line 32b – line 33
35	Balances Used to Offset Minimum	
36	Additional Cash Requirement	line 34 – line 35
37	Discounted Contributions for Current Year	line 19c
38	PV of Excess contributions for current year	line 36 – line 37 Not less than zero
39	Unpaid minimum contribution for current year	line 37 – line 36 Not less than zero
40	Unpaid minimum contribution for all years	line 30 + line 39 > than zero, file Form 5330

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*Continued on next page*

## Schedule SB - Instructions for Part VIII - Lines 31 – 40, Continued

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**Line 32a**

The amount of the shortfall amortization base is based on the plan's funding shortfall. For the 2011 plan year with a valuation date as the first day of the plan year, the shortfall amortization installment is the amount that will amortize the shortfall over seven annual payments or subject to the election to use one of the alternative schedules as added by [the Pension Relief Act of 2010 \(PRA 2010\)](#) and detailed in [Notice 2011-3](#).

The shortfall amortization installment is calculated using the segments rate or the yield curve reported on line 21.

---

**Line 32b and  
Line 33**

If a waiver is granted, the minimum required contribution for the plan year is reduced by the amount of the waived funding deficiency. The amount waived for the current plan is entered on line 33.

Line 32b will show the sum as of the valuation date of all remaining amortization installments. Each waived funding deficiency is amortized over 5 years using either the segment rates or the yield curve reported on line 21.

If there are any waived amortization bases, there is a required attachment titled Schedule SB, line 32- Schedule of Amortization Bases.

---

**Line 35**

If line 16 is at least 80% and the plan has a funding carryover balance (see line 13(a)), the plan sponsor may choose to lower the minimum contribution requirement by all or some portion of the carryover balance. No portion of the prefunding balance can be used for this purpose unless the full amount of any remaining funding standard carryover balance is used.

See Schedule SB instructions for a special rule if the amount entered on line 35 is larger than the amount on line 13(a).

---

**Line 39 If  
Required  
Contributions  
Not Made - 10%  
Excise Tax**

If it is determined that the required contributions were not made prior to the minimum funding due date for the plan (i.e. line 39 is greater than zero), then the plan sponsor is required to file Form 5330 to pay the 10% excise tax on the funding deficiency.

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## Schedule SB-instructions for Part IX, Lines 41-43

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<b>Background</b>	Lines 41, 42 and 43 were added to the 2011 Schedule SB due to PRA 2010. PRA 2010 provides for two alternative shortfall amortization schedules. See <a href="#">Notice 2011-3</a> .
<b>Line 41a</b>	Two new shortfall amortization methods are allowed for plan years 2008, 2009, 2010 and 2011. PRA 2010 adds <a href="#">IRC § 430(c)(2)(D)</a> , which permits a plan sponsor to elect one of two alternative schedules. Sponsors have the choice to elect to use a 15 year amortization schedule or a 2 plus 7 year schedule. If the employer elects to use one of the alternative schedules, the schedule is listed on line 41a.
<b>Line 41b</b>	PRA 2010 allows the election to be made for plan years or years that begin in 2008, 2009, 2010 or 2011. The plan sponsor can elect to use an alternative amortization schedule in any two plan years if the due date for the minimum contribution under <a href="#">IRC § 430(j)(1)</a> occurs on or after June 25, 2010, subject to certain exceptions. The plan years need not be consecutive. If the plan sponsor chooses to make an election for more than one year, the same schedule must be used in both years.
<b>Line 41c</b>	The shortfall amortization amount under an election to use one of the two alternative schedules is subject to increase by an installment acceleration amount. Installment acceleration amounts under <a href="#">IRC § 430(c)(7)(C)</a> can be triggered by two events. Excess employee compensation under <a href="#">IRC § 430(c)(7)(D)</a> and the aggregate amount of dividends and redemptions determined under <a href="#">IRC § 430(c)(7)(E)</a> each can trigger an installment acceleration amount. This amount is listed on line 41c.

## Additional Attachments to Schedule SB That May Be Required

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### Additional Attachments

#### Schedule SB - Statement by Enrolled Actuary

- Use if checking last box on page 1, actuary has not fully reflected a regulation or ruling

#### Schedule SB – Information for Each Individual Employer

- Use if filing Multiple-A

#### Schedule SB, line 4 – Additional Information for Plans in At-Risk Status

- If the plan is in at-risk status for 2009
- Description of assumptions, optional form of payment

#### Schedule SB, line 7 – Explanation of Discrepancy in Prior Year Funding Standard Carryover Balance or Prefunding Balance

- Use if line 7 does not match prior year's Schedule SB Line 13
- Schedule SB, line 8 – Late Election to Apply Balances to Quarterly Installments
- Use if line 8 does not match prior year's Schedule SB line 35

#### Schedule SB, line 19 – Discounted Employer Contributions

- Show date and amount of all contributions, effective interest rate (EIR) for plan year to which contribution is allocated to (show periods to which EIR plus 5% applies due to late quarterlies), and interest-adjusted contribution
- No need to attach if there are no [IRC § 436](#) contributions, no prior plan year contributions, and no late contributions for current plan year

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*Continued on next page*

## Additional Attachments to Schedule SB That May Be Required, Continued

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### Additional Attachments (continued)

#### Schedule SB, line 20c – Liquidity Requirement Certification

- Certification by Enrolled Actuary if the special rule for nonrecurring circumstances is used

#### Schedule SB, line 22 – Description of Weighted Average Retirement Age

- Show individual rates of retirement at each age along with description of weighted average determination

#### Schedule SB, line 23 – Information on Use of Substitute Mortality Tables

- If plan-specific “substitute” mortality tables approved by IRS are used

#### Schedule SB, line 23 – Information on Use of Multiple Mortality Tables

- Describe each mortality table used and size of population to which it was applied

#### Schedule SB, Part V – Statement of Actuarial Assumptions/Methods

- Detail requested was enhanced for 2008 SB; including details of optional form selection assumptions

#### Schedule SB, Part V – Summary of Plan Provisions

- Detail requested was enhanced for 2008 SB; including details of optional form conversion factors, special provisions for groups of employees, etc.

#### Schedule SB, line 24 – Change in Actuarial Assumptions

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## Schedule R – Retirement Plan Information

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**Part II Funding Information**  
**Line 4** Allows a plan sponsor to elect to have plan amendment, adopted after end of plan year, reflected in current plan year.

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**Lines 5 and 6** Not applicable for a defined benefit plan.

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**Line 7** Change in actuarial cost method – should be checked yes, if applicable.

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**Part III Amendments** Boxes should be checked if plan amendment either increased or decreased benefits.

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## Testing of Schedule SB

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### Introduction

The following tests can be performed on items from the Schedule SB to confirm that the form has been completed properly or that the plan complies with the Code. This is not intended to be all inclusive. Your audit may examine additional items depending on the facts and circumstances surrounding the development of audit issues. Many of the items on Schedule SB can be vouched to figures on the yearly valuation report to help ensure that the Schedule SB was prepared accurately.

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Schedule SB Line Item:	Comments:
Actuarial valuation date, line 1	The valuation date must be the first day of the plan year, unless there were 100 or fewer participants on each day in the prior plan year in all DB plans sponsored by the employer or controlled group.
Actuarial value of assets reported on Schedule SB, line 2b	Does the amount of the actuarial value of assets agree with the amount reported in the actuarial valuation report? Are contributions receivable for prior years discounted to the valuation date using the prior year's effective rate. Is the amount on line 2b between 90% and 110% of the plan's market value (line 2a)?
Total active participants, line 3c(3)	Does the total number of participants roughly match the total number of active participants reported on the plan census?
Target Normal Cost, line 6 on Schedule SB	Reconcile with the Actuarial Valuation Report. TNC includes expected plan-related expenses paid from the plan.
Carryover Balance and Prefunding Balance, line 7	If amounts do not agree with prior year's balances, is there an attachment explaining differences?
Reduction in balances due to elections or deemed elections, line 12	The plan sponsor must elect in writing to reduce balances. Reduction in balances increases assets and FTAP and AFTAP.

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*Continued on next page*

## Testing of Schedule SB, Continued

<b>Schedule SB Line Item:</b>	<b>Comments:</b>
Adjusted funding target attainment percentage, line 15	Does the adjusted funding target attainment (AFTAP) match the value reported on the AFTAP certification and in the valuation report?
Prior year's funding percentage, line 16	The Ratio of the Actuarial Value of Assets minus the prefunding balance to the Funding Target must be at least 80% or the required contribution cannot be reduced by a credit balances in the following plan year.
Contributions, lines 18 and 19 Quarterly Contributions requirement, line 20	On line 18, contributions are reported without discounting to the valuation date. Line 19 reports discounted contributions using effective rate on interest (line 5). If line 20a is checked yes, were required contributions made timely?
Funding waiver indicated on Schedule SB?	If a funding waiver was granted, review the waiver's conditions to assure they are satisfied. If any conditions were not satisfied, the waiver is void retroactively to the year waived and a funding deficiency will result.
Discount rate, line 21	If applicable, do the segment rates reported on line 21a correspond to applicable month reported on line 21b?
Unpaid minimum required contribution, line 30	If the amount on line 30 is greater than zero, has the Form 5330 been filed by the plan sponsor? Has the 10% excise tax been assessed?
Minimum required contribution for current plan year	Do amounts on lines 31 – 36 agree with the corresponding entries on the valuation report and any employer elections?
Attachments to Schedule SB	Are the required attachments, if any, (see section entitled "Additional Attachments to the Schedule SB that may be Required" for listing) attached to the Schedule SB?

## MAP-21-Introduction

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### Background

The Pension Protection Act of 2006 (“PPA ’06”) made sweeping changes to the funding requirements for single-employer defined benefit plans. Among these changes, PPA ’06 requires that single employer defined benefit plans calculate their contributions using a set of three segment rates based on a corporate bond yield curve (Code section 430(h)(2)(C)). Alternatively, the plan sponsor may choose to calculate the contribution using a full yield curve as described in Code section 430(h)(2)(D)).

---

### MAP-21 legislation

President Obama signed the Moving Ahead for Progress in the 21<sup>st</sup> Century Act (“MAP-21”) into law on July 6, 2012. While the primary focus of this legislation is improvement of the nation’s transportation infrastructure, it also contains other provisions including changes in pension law.

Specifically, MAP-21 makes changes to the segment rates calculated under Code section 430(h)(2)(C). In the short-term, application of the changes made by MAP-21 generally reduces the minimum required contribution for a single employer defined benefit plan from what it would have been otherwise. As a result, MAP-21 is often referred to as a form of “funding relief” for these plans. A quick search on the internet indicates that application of MAP-21 has reduced the 2012 minimum required contribution by as much as 33% for some plans.

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### Additional Guidance

For additional guidance, see also [Notice 2012-61, Guidance on Pension Funding Stabilization Under the Moving Ahead for Progress in the 21st Century Act \(MAP-21\)](#).

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## Key provisions of MAP-21

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### **Corridor of upper and lower limits for the segment rates**

MAP-21 added Code section 430(h)(2)(C)(iv), which establishes a corridor of upper and lower limits for the three segment rates. This change is generally effective for plan years beginning in 2012, but a plan sponsor may have elected to defer the effective date until the first plan year beginning in 2013. MAP-21 makes no changes to the full yield curve under Code section 430(h)(2)(D).

Code section 430(h)(2)(C)(iv) provides that each segment rate described in Code section 430(h)(2)(C) is adjusted, as needed, so that it falls within a specified corridor. This corridor is based on an average of the corresponding segment rates for the 25-year period (the “25-year average segment rates”) ending on September 30 of the calendar year preceding the calendar year in which plan year begins.

---

### **25 year average rates**

MAP-21 provides that each year the IRS will publish the 25-year average segment rates and may base this average on “equivalent rates” if the actual segment rates are not available for some portion of the 25-year period.

In Notice 2012-55, the IRS published the 25-year average segment rates that apply for plan years beginning in 2012, with the segment rates for the period beginning before October 2003 based on “equivalent rates.”

Notice 2013-11 provides the 25-year segment rates for plan years beginning in 2013 and these rates are based on actual segment rates for all periods involved in the calculations.

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*Continued on next page*

## Key provisions of MAP-21, Continued

### Corridor of rates

The corridor is expressed as a minimum and maximum percentage of the 25-year average segment rates and varies depending on when the plan year begins. The percentages associated with each plan year are shown in the following table:

If Plan Year Begins In	Minimum Percentage	Maximum Percentage
2012	90%	110%
2013	85%	115%
2014	80%	120%
2015	75%	125%
2016 and later	70%	130%

### 25 year average segment rates, with the corridors

The 25-year average segment rates, along with the appropriate resulting corridor, are shown in the following tables for plan years beginning in 2012 and 2013:

Plan Years Beginning in 2012	MAP-21 Segment Interest Rates		
	First	Second	Third
25-year average segment interest rates	6.15	7.61	8.35
90% to 110% corridor	5.54	6.85	7.52

Plan Years Beginning in 2013	MAP-21 Segment Interest Rates		
	First	Second	Third
25-year average segment interest rates	5.81	7.23	7.95
85% to 115% corridor	4.94	6.15	6.76

## Applying MAP-21 segment rates

---

### **Segment rates are used to calculate various contributions**

The MAP-21 adjusted segment rates are used to calculate the minimum required contribution (MRC) under Code section 430. Specifically they are used to calculate the:

- target normal cost and funding target,
  - present value of remaining shortfall amortization installments for purposes of determining any shortfall amortization base for plan year,
  - determination of shortfall and waiver amortization installments, and
  - limitation on the assumed rate of return for purposes of determining the average value of assets under § 430(g)(3)(B).
- 

### **MAP-21 rates also apply to benefit restrictions**

The MAP-21 adjusted segment rates also used to apply the benefit restrictions under Code section 436, specifically when calculating the:

- adjusted funding target
  - adjusted plan assets, and the
  - resulting adjusted funding target attainment percentage (AFTAP).
- 

### **MAP-21 rates also apply to calculate contributions under sections 104 and 105**

MAP-21 rates are also used to calculate the minimum required contribution for plans subject to sections 104 or 105 of PPA '06, determined reflecting MAP-21 adjustments to 3rd segment rate (Code section 430(h)(2)(C)(iv)).

---

### **MAP-21 rates are not used to calculate specific items**

The MAP-21 adjusted segment interest rates are NOT used to calculate the:

- maximum deductible amount under § 404(o):
  - minimum present value (including lump sums) under § 417(e)(3)
  - amount of excess assets that can be transferred to retiree health accounts under Code section 420, and
  - Funding Target Attainment Percentage (FTAP) used to determine if information must be reported to the PBGC under section 4010 of ERISA.
- 

*Continued on next page*

## Applying MAP-21 segment rates, Continued

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**Determination  
of at risk status**

The determination if a plan is in at-risk status is made separately for purposes for which the MAP-21 adjusted segment interest rates do and do not apply. The determination is based on interest rates used to calculate the funding target for each specific purpose for the preceding plan year. Accordingly, the plan could be in at-risk status for calculations under 404(o) but NOT for determining the minimum required contribution.

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## How MAP-21 Affects the Plan Assets

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### **Adjusting current year contribution receivables**

The MAP-21 adjusted segment rates are used when adjusting current year contributions receivable that are discounted using the effective interest rate for the prior plan year. If MAP-21 first applied to the plan year beginning in 2012, then this affects the determination of assets for plan years that begin in 2013 and later.

---

### **Actuarial value of assets may be affected by MAP-21**

The actuarial value of assets may be affected by MAP-21 due to the cap on the expected return by the 3<sup>rd</sup> segment rate (which is part of the calculation of the actuarial value of assets). Accordingly, MAP-21 may affect the actuarial value of assets even if the funding target and target normal cost are not calculated using the segment rates but are instead calculated using the full yield curve.

---

### **Determining the maximum deductible contribution**

If the MAP-21 adjusted 3<sup>rd</sup> segment rate exceeds the unadjusted 3<sup>rd</sup> segment rate, then the plan may elect to use the value of assets determined under Code section 430 for purposes of determining the maximum deductible contribution under Code section 404(o).

There is no similar rule for determining the value of assets for Code section 420 (transfer of excess pension assets to retiree health accounts) or for ERISA section 4010 (which requires that certain underfunded defined benefit plans report financial and actuarial information to the PBGC).

---

## Elections to Use MAP-21 Rates

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**Plan sponsor  
can elect to  
delay MAP-21**

The plan sponsor may elect to delay the effective date of MAP-21 until the first plan year beginning in 2013. This election is not required until the filing due date (with extensions) of the 2012 Form 5500. However, the plan sponsor may have made the decision earlier if the decision affected the operation of the plan under Code section 436, or if the plan's enrolled actuary needed to recertify the 2012 Adjusted Funding Target Attainment Percentage (AFTAP) by December 31, 2012, in order to use the "deemed immaterial" rule (whereby the change in AFTAP is deemed to be immaterial and thereby does not result in possible disqualification of the plan). Any elections to reverse funding balance elections must be made by the end of the plan year that began in 2012.

For the plan year that began in 2012, the plan sponsor may have elected to only use the MAP-21 adjusted segment rates for purposes of calculating the minimum required contribution under Code section 430 but not for purposes of benefit restrictions under Code section 436. However, if the plan sponsor chose to use the MAP-21 adjusted segment rates for purposes of determining the benefit restrictions under Code section 436, the MAP-21 adjusted segment interest rates must have also been used to calculate the minimum required contribution under Code section 430.

---

## Election to Change from Full Yield Curve to Segment Rates

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### **Plans using full yield curve**

Plans using the full yield curve under Code section 430(h)(2)(D) did not receive "funding relief" under MAP-21. Such plans, however, are allowed to change from using the full yield curve to the segment rates (and thus, obtain relief under MAP-21) without requiring approval from the Service. This election must have been made for the "first year" MAP-21 applies in order to be eligible for "automatic approval."

The election must have been made in writing to the plan's enrolled actuary and plan administrator by July 5, 2013, regardless of whether 2012 or 2013 is the "first year" MAP-21 applies. If the election to change from the full yield curve to MAP-21 segment rates is made and MAP-21 first applied for calculation of the minimum required contribution under Code section 430 in 2012 but did not apply until 2013 for purposes of determining benefit restrictions under Code section 436, then for the plan year that began in 2012:

- the MAP-21 adjusted segment rates are used for calculating the minimum required contribution under Code section 430; and
  - the full yield curve under Code section 430(h)(2)(D) is used for purposes of determining benefit restrictions under Code section 436.
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## Summary

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### Summary

This chapter presented a step-by-step approach to examining the Schedule SB for compliance with the plans' minimum funding requirement. This chapter is not intended to cover every aspect or issue that may be detected upon examination.

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